

Changes to CDIC's Deposit Insurance Coverage Framework: Nominee Brokered Deposits

Version: 1.0

Updated as of: 2022-01-07

Effective Date: 2022-04-30

About CDIC

Who Is CDIC?

- Federal Crown Corporation established in 1967 to contribute to financial stability through, orderly resolution or deposit insurance
- Responsible for preparing for (and handling of) the failure of any of our 85 members, from smallest to largest
- Since its creation, CDIC has resolved 43 member institution failures; to date, no one has lost a dollar of deposits protected by CDIC

Our Powers

- Monitoring risks (to CDIC) posed by members
- Directing member institutions' resolution planning efforts
- Undertaking special and preparatory exams of members
 - Ensure CDIC is ready to act in case of member failure
- Terminating membership, cancelling deposit insurance
- Undertaking a wide range of failure resolution and closure options, for example:
 - Liquidation and payout (reimburse most deposits within 3 days)
 - Financial Assistance (e.g., P and A)
 - Forced sale (FIRP)
 - Bridge bank
 - Bail-in or Recapitalization

Membership and Conditions

- CDIC membership is limited to federally regulated banks, federal credit unions, federally and provincially chartered trust and loan companies
 - Membership is automatic for Federal DTIs
 - Provincial Trust companies can become CDIC members upon application
- Foreign Bank Branches and Provincial Credit Unions cannot be CDIC Members
- Currently CDIC has 85 Member Institutions (43 banks and 42 trust and loan companies) that form part of 55 separate corporate groups
- CDIC members must follow the CDIC Policy of Deposit Insurance which outlines the terms and conditions of membership.
- Mandatory display of the decal (see right) identifies the entity as a CDIC member



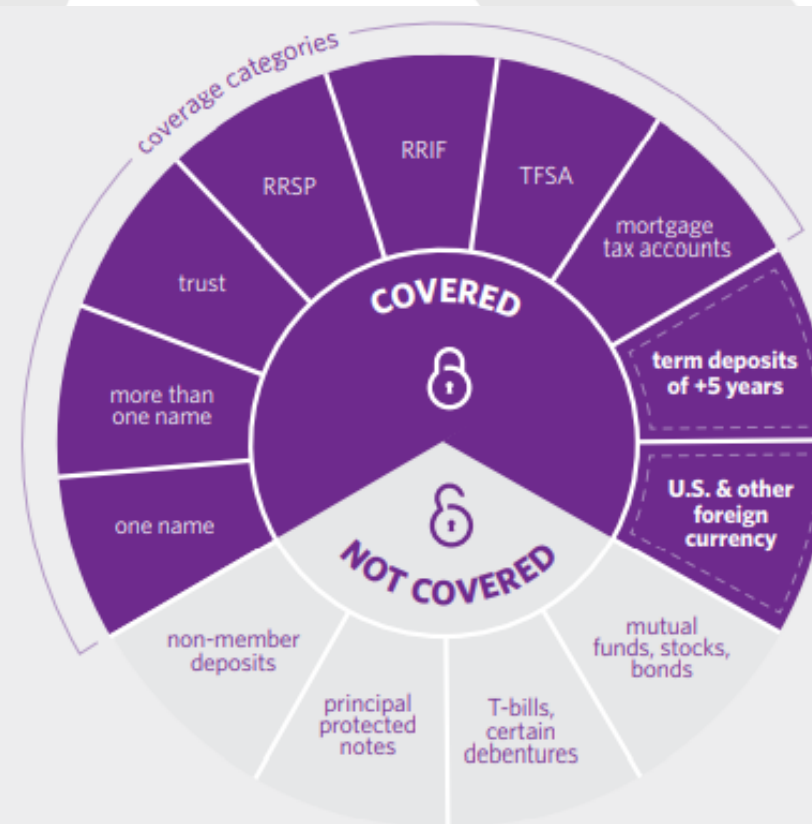
CDIC Deposit Insurance Protection and Nominee Broker Requirements

How CDIC Protects Deposits (Until April 30, 2022)

The Government of Canada has amended the *Canada Deposit Insurance Corporation (CDIC) Act* to modernize and enhance Canada's deposit insurance framework.

As of April 30, 2020

- U.S. and other foreign currency, and term deposits with a maturity of more than 5 years are eligible for CDIC deposit protection within each coverage category.



Deposit Insurance Protection after April 30, 2022

Additional Changes to the *CDIC Act* taking effect April 30, 2022

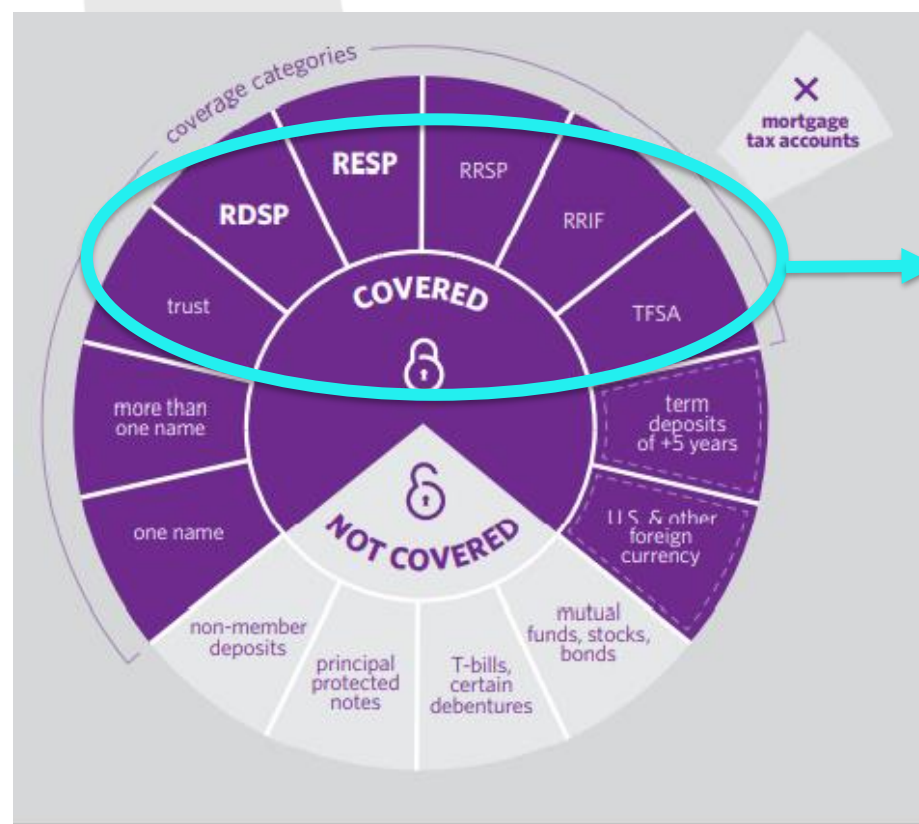
Separate coverage for up to \$100,000 in eligible deposits held under Registered Education Savings Plans (RESPs)

Separate coverage for up to \$100,000 in eligible deposits held under Registered Disability Savings Plans (RDSPs)

Removal of separate coverage for deposits in mortgage tax accounts (these deposits will be combined with eligible deposits in other categories such as savings in one name)

New requirements for deposits held in trusts, including nominee brokered deposits that enhance CDIC's ability to extend protection to these deposits and reimburse them quickly after a CDIC member failure.

CDIC's Deposit Insurance Coverage after April 30, 2022



Protection for brokered deposits held in nominee name stems from one of these categories

Changes Affecting Nominee Brokered Deposits (NBDs)

- Amended *CDIC Act* and By-laws set out requirements that nominee brokers and CDIC MIs must meet for deposits held for broker clients (i.e. the beneficiaries) to be protected (and enable CDIC prompt reimbursement).

Nominee Brokers	CDIC MIs
<ul style="list-style-type: none"> Transmit broker's legal name and address; Indicate that deposit is held in trust; Transmit to the MI at time a deposit is made or is changed a unique client ID (UCI) for each beneficiary to the deposit; Use UCI for all deposits for that client at an MI; Disclose to the MI the beneficial interest for each beneficiary under the deposit; Have the capacity to provide CDIC with the unique IDs and related client name and address within 3 business-days of CDIC's request; and Annually attest to having this capacity to CDIC. 	<ul style="list-style-type: none"> Receive the required information from the brokers; Keep it up-to-date in their systems; Provide it to CDIC when required to do so (i.e. through the Data and System Requirements (DSR)); Notify brokers of the requirement to provide CDIC with the annual attestations; and Make required amendments to contracts with brokers to reflect CDIC Act requirements

- See Annex A for the overview of the new requirements

Industry Implementation

- Requirements for nominee brokered deposits are not discretionary and must be applied correctly to ensure deposits are protected
- Requirements for nominee brokered deposits come into effect on [April 30, 2022](#) and apply to all nominee brokered deposits -- including existing deposits and net new deposits
- Implementation activities are considerable and require consistent application by all involved to ensure “upstream to downstream” functionality
 - i.e., impacts brokers, financial exchange platforms, data services providers, MIs and CDIC
- CDIC has been proactive in supporting strong, cross-industry implementation of the new CDIC Act requirements

Supporting Nominee Broker Industry's Implementation of New Deposit Insurance Framework

Brokered Deposit Advisory Group

- Brokered Deposit Advisory Group (BDAG) was established to support discussions among relevant stakeholders within the nominee broker deposit industry
 - Develop industry-based solutions to ensure a comprehensive implementation of new *CDIC Act* requirements for nominee brokered deposits
 - Provide technical input/advice for various CDIC implementation activities (e.g., development of guidance, industry education materials, broker compliance approach)
 - Facilitate communication among stakeholders of viable implementation solutions that meet CDIC expectations
 - Not a decision-making body (Decisions ultimately left to individual stakeholders and CDIC)
- See Annex B and C for more detail regarding BDAG

Key BDAG Outputs for Industry

BDAG-developed materials are available on a dedicated webpage housed on the CDIC's website

[Industry Best Practices \(Brokered Deposit Advisory Group – BDAG\) - cdic.ca](https://www.cdic.ca/industry-best-practices)

- BDAG, in collaboration with CDIC, developed industry best practices and other documentation critical for industry's operational/system progress towards full implementation of the requirements
 - ✓ Published UCI Industry Best Practices and supporting documentation
 - ✓ Published Timeline for CDIC Act/By-law Compliance
 - ✓ Published Industry Operational Best Practices for introducing and carrying brokers (use of LEI for NBDs)
 - ✓ Published Industry Best Practices for GIC Deposit Re-Registration
 - ✓ Published Industry Interim Approach for GIC Deposit Transfers
 - ✓ Published Industry Best Practices for Pooled Registered Cash Accounts
 - ✓ Developed Industry Best Practices to align with Section 8 of the amended schedule to the *CDIC Act*
 - ✓ Developed Industry Best Practices for Deposit Position Reconciliation
- ✓ See Annex D for more detail on different best practices

CDIC Nominee Brokered Deposit Compliance Framework

CDIC Nominee Brokered Deposit Compliance Framework



CDIC NBD Compliance Framework Approach Overview

Version: 1.1
Updated as of: 2021-12-14
Revision: **Slide 7 and 9**
Effective Date: 2022-04-30

<https://www.cdic.ca/wp-content/uploads/CDIC-NBD-Compliance-Framework-CDIC-Website-Version-1.1-Eng.pdf>

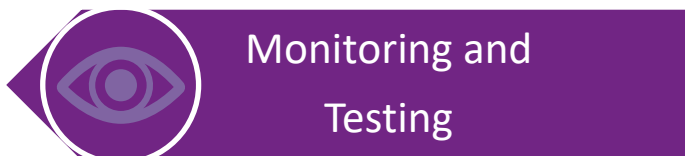
- The CDIC Act provides CDIC with powers to monitor, assess and enforce compliance with the nominee broker deposit requirements to ensure that CDIC has access to the information it requires to protect deposits.
- CDIC developed a Nominee Broker Deposit (NBD) Compliance Framework approach, which will take effect on April 30, 2022.
- The CDIC NBD Compliance Framework outlines the high-level objectives, structure, and key components of CDIC's approach to oversee compliance with the new rules.

CDIC NBD Compliance Framework - Four Pillars

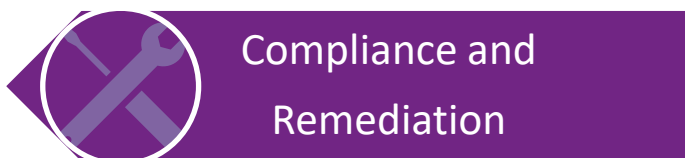
PILLARS



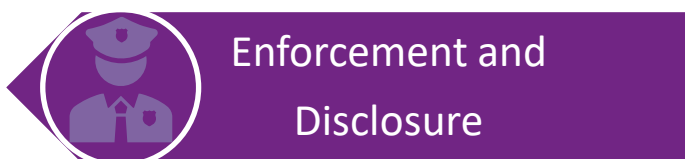
1



2



3



4

OBJECTIVES

Industry awareness; tracking progress towards compliance; maintain strong industry awareness/compliance

Baseline testing exercise following CIF; identify outstanding compliance issues to be corrected to ensure coverage; promote ongoing industry reconciliation process & compliance self-assessment

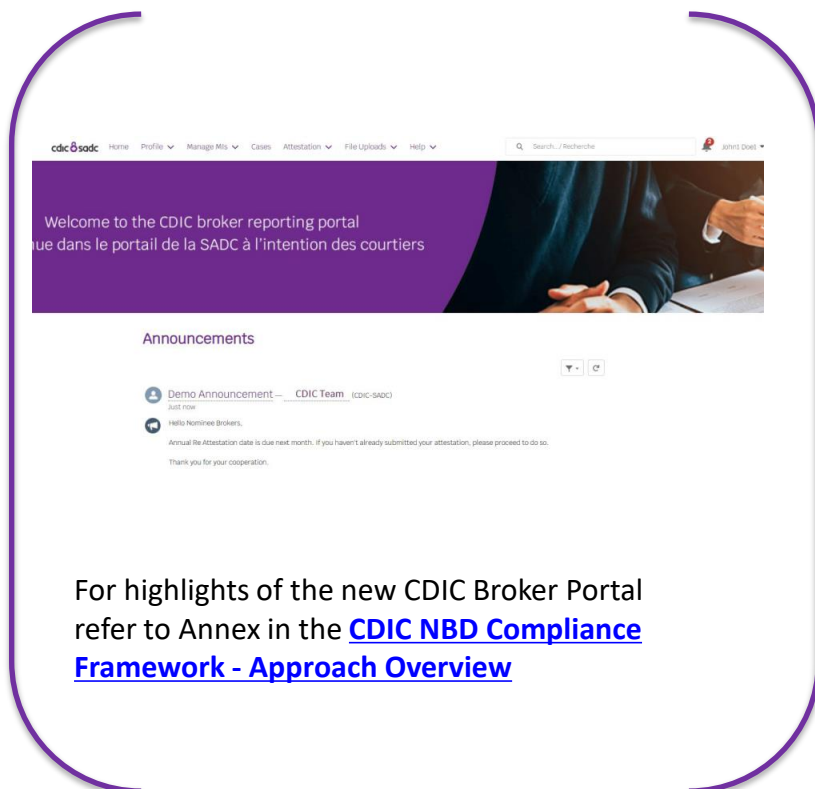
Transparency regarding steps CDIC will take to address non-compliance quickly; set CDIC expectations regarding how deficiencies should be addressed

Outline how CDIC will exercise its enforcement powers; determine criteria for exercising disclosure power

Supported by a new CDIC Broker Portal and new Requirements for Nominee Broker Data

CDIC Broker Portal

- Development of a secure portal for nominee brokers (NBs) is underway to centralize communications/interactions between CDIC and NBs
- Provides a single point of contact with NBs for all compliance and administrative functions, including:
 - Receive attestations & key documentation for compliance purposes
 - Facilitate upload & submission of NBDR files to CDIC
 - Communicate with respective NBs regarding compliance findings and/or compliance/enforcement actions
- Details regarding the new broker portal will be shared with NB industry more broadly:
 - Survey of NBs to gather info to support NB portal profile setup
 - 2nd Portal Pilot Test with volunteer NBs anticipated Sept/Oct 2021
 - Industry focused information session on new CDIC Broker Portal (Late-2021 - TBC)



For highlights of the new CDIC Broker Portal refer to Annex in the [CDIC NBD Compliance Framework - Approach Overview](#)

Nominee Broker Data Requirements

- The NBD Compliance Framework is supported by the Nominee Broker Data Requirements (NBDR)
- Developed in collaboration with BDAG, outlines formatting specifications for required NB data submissions, which facilitate CDIC deposit reimbursement calculations
- The NBDR will also be the specifications NBs will use for the submission of data to CDIC for compliance testing purposes

CDIC Nominee Broker Data Requirements
<https://www.cdic.ca> <https://www.sadc.ca>

Canada Deposit Insurance Corporation
**Nominee Broker
Data Requirements**
Version 1.0

About this Document

The purpose of this document is to provide Nominee Brokers with guidance and technical specifications with regards to complying with the provisions set out in the Canada Deposit Insurance Corporation ("CDIC") Act and related CDIC By-laws.

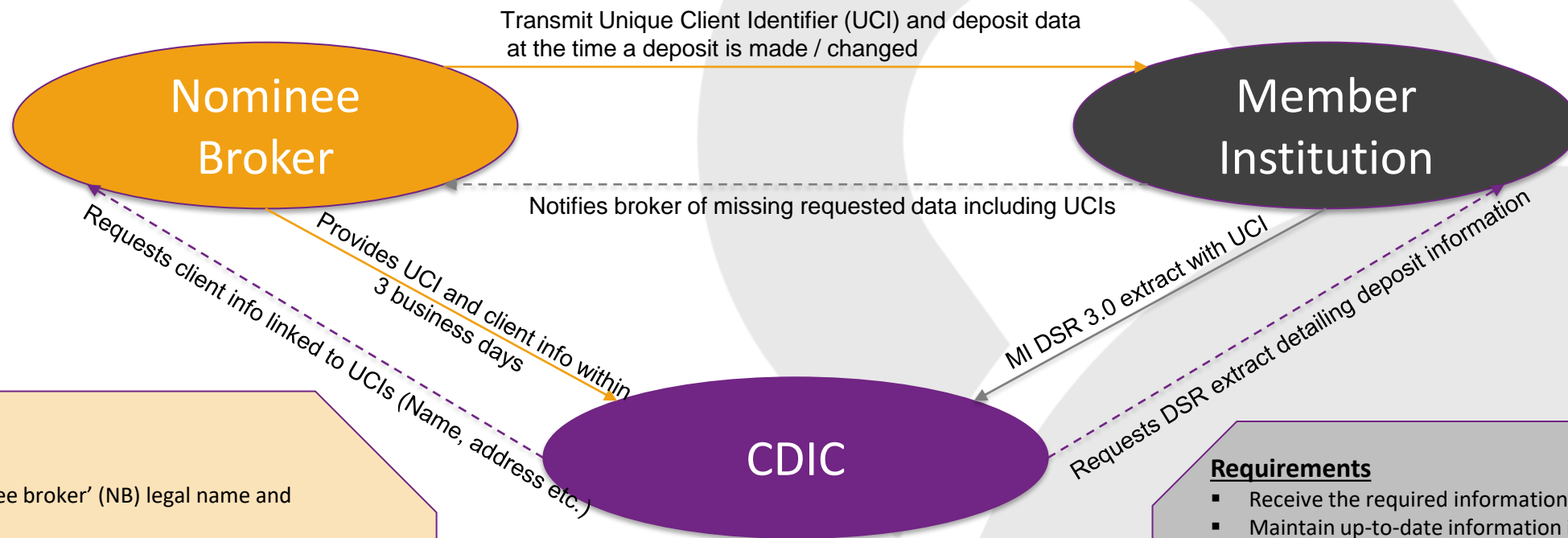
Additional supplementary materials in support of the Nominee Broker Data Requirements ("NBDR") may be found on the [CDIC web-site](#).

Nominee Broker/Dealer questions related to this document may be sent via e-mail to CDIC at: Brokers@cdic.ca

Version: 1.0
Updated as of: 2021-01-31
Effective Date: 2022-04-30

<https://www.cdic.ca/wp-content/uploads/NBDR-nominee-broker-data-requirements-v1.0.pdf>

Annex A: Overview of CDIC Act and Bylaw requirements



Requirements

- Transmit nominee broker' (NB) legal name and address;
- Indicate that deposit is held in trust;
- Transmit to member institution (MI) at time a deposit is made or is changed a unique client ID (UCI) for each beneficiary to the deposit;
- Use UCI for all deposits for that client at an MI;
- Disclose to the MI the beneficial interest for each beneficiary under the deposit;
- Have capacity to provide CDIC with the unique IDs & related client name and address within 3 business days of CDIC's request; and
- Annually attest to having this capacity to CDIC.

Requirements

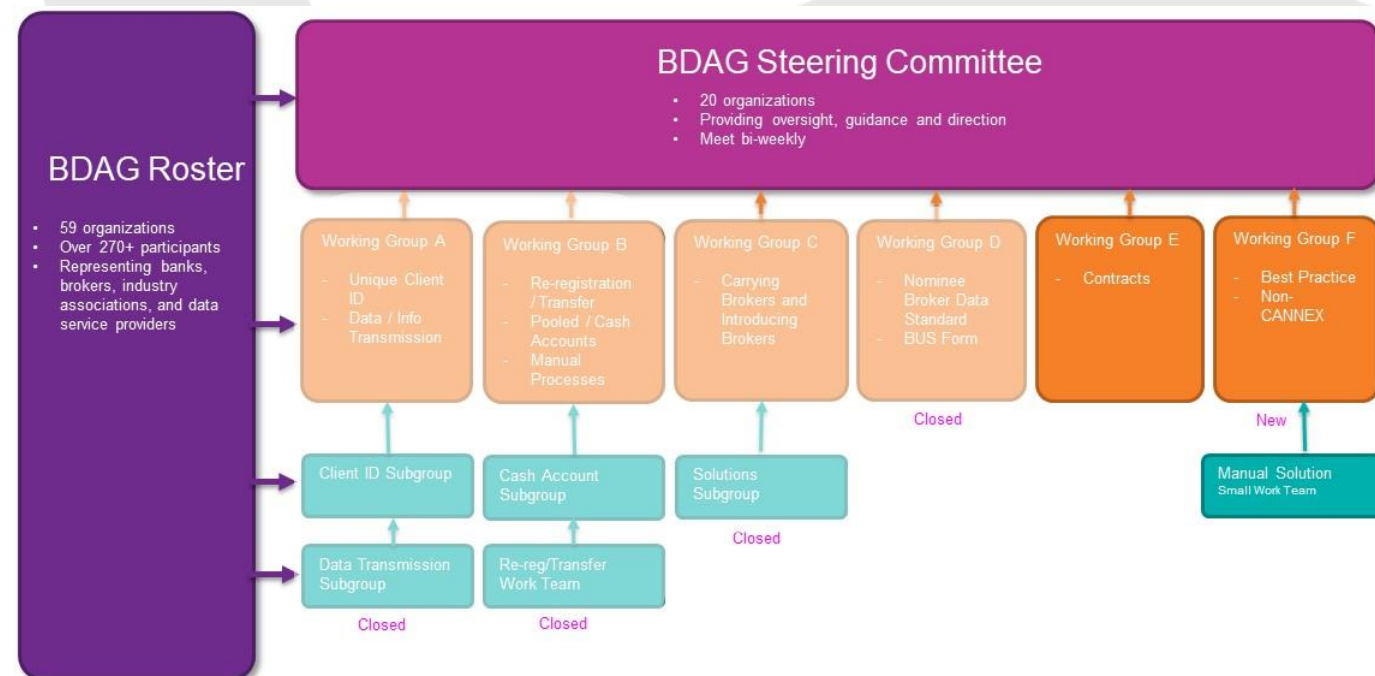
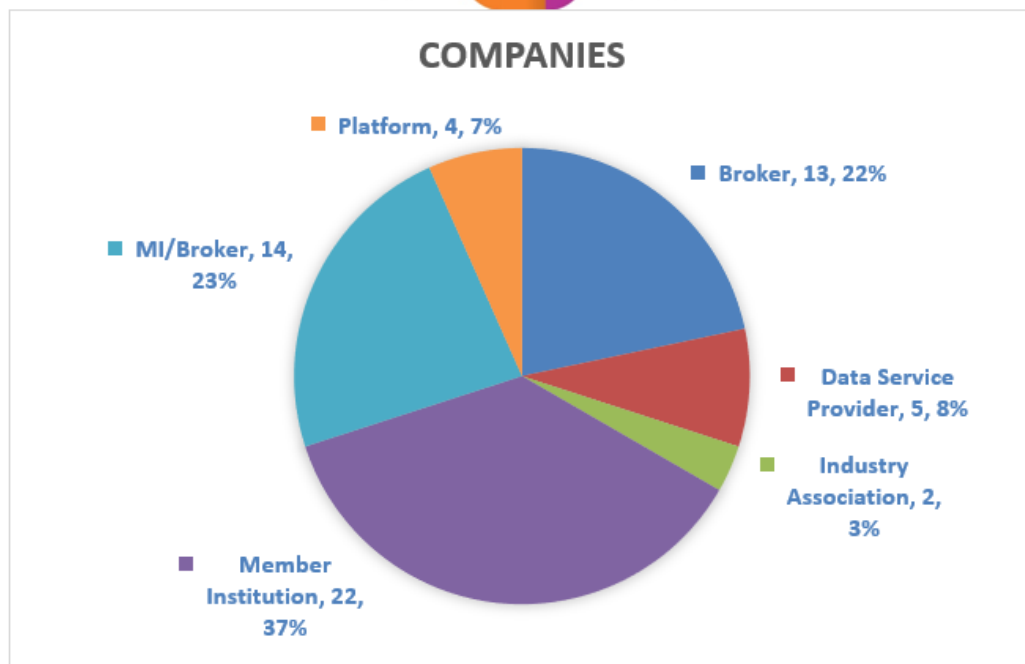
- Process DSR 3.1 extracts from MIs;
- Receive and process client data including UCI from NBs; and
- Reconcile UCIs on MI records to NB client data to calculate deposit insurance coverage;
- Monitor, assess and enforce compliance with the CDIC Act and bylaw requirements by NBs and MIs (including ensuring that NB-MI contracts reflect CDIC requirements)

Requirements

- Receive the required information from NBs;
- Maintain up-to-date information in systems;
- Provide information to CDIC when required to do so (i.e. through the Data and Systems Requirements (DSR version 3.1);
- Notify NBs of the requirement to provide CDIC with the annual attestations; and
- Make required amendments to contracts with NBs to reflect CDIC Act requirements.

Annex B: BDAG - Governance

The Brokered Deposit Advisory Group (BDAG) was created to promote NBD awareness of the new NBD Framework and facilitate discussions among members of the NBD industry and CDIC to identify issues and develop solutions that promote strong compliance



Annex C: Industry Issues considered by BDAG

1. Standardized approach for Unique Client Identifiers (UCIs)
2. Broker allocation of UCIs in various deposit scenarios (single depositor, co-owned, registered)
3. Interdependencies and core requirements for transmittal of required Nominee Broker data
4. Reregistration of Nominee Brokered deposits and other manual processes
5. Application of new requirements to pooled/cash accounts held by Nominee Brokers
6. Cashable GICs
7. Transition to new requirements for existing brokered deposits. Address need to have key info transmitted prior to coming-into-force (April 30, 2022)
8. Impact of new requirements on deposits placed through carrying brokers
9. Nominee Broker to CDIC Data Standardization
10. Nominee Brokered Deposit Insurance Payment (to April 30 2022)
11. Industry approach for dealer codes and Legal Entity
12. Guidance and templates to facilitate industry implementation.
13. Discuss outstanding compliance issues related to the current framework and transition period.
14. Enhancements to industry-level controls and monitoring tools to reflect/ensure ongoing compliance with new NBD data requirements
15. Creation of broker education materials/on-line resources
16. Development of messages and materials for broker clients
17. Reporting process for broker attestations

Annex D: *CDIC Act* Requirements and BDAG Industry Best Practices and Recommended Approaches

- BDAG has been actively working to develop key best practices and guideline material focused on the key requirements nominee brokers must abide by to meet the new requirements, to assist industry stakeholders in their work to implement the new rules and obligations

Requirement	BDAG Documentation	Description of Documentation
Nominee Broker must transmit to MI at time a deposit is made or is changed a unique client ID (UCI) for each beneficiary to the deposit	UCI Best Practices Data Transmission and Reconciliation Process (Automated) Best Practices Deposit Position Reconciliation Best Practices	<p>Best Practices provide standards and parameters setting out industry expectations about the UCI design and application and aim to further improve the quality of information being transmitted for nominee brokered deposits</p> <p>Best Practices support a coordinated approach for transmission and reconciliation of information between key participant groups in the data transmission flow for nominee brokered deposits when using processes supported by CANNEX and Fundserv</p> <p>Best Practices help facilitate standardization of industry processes used to reconcile deposits that are transacted between nominee brokers and MIs outside of the automated processes supported by CANNEX and Fundserv</p>

Annex D: *CDIC Act* Requirements and BDAG Industry Best Practices and Recommended Approaches (Cont'd)

Requirement	BDAG Documentation	Description of Documentation
UCIs for clients must be assigned by the Nominee Broker registered as the “nominee” with the MI and transmit the UCI for inclusion on the MI’s records each time a deposit is made and each time a deposit is changed	Introducing and Carrying Broker Deposit- Operationalizing the LEI Best Practices The Carrying Broker Template Contract Addendums	<p>Best Practices provide an approach for optimizing deposit insurance coverage for clients of introducing brokers who place deposits through the carrying broker (the nominee) by leveraging the Legal Entity Identifiers (LEIs) in the transmission of required information, including UCIs, to the MI</p> <p>Best Practices related to Introducing and Carrying Broker Deposit – Operationalizing the LEI are supported by contractual/legal elements developed by the industry</p>
UCI rule applies to all existing deposits and new deposits. Nominee Broker is responsible for assigning UCIs to all existing deposits held at MIs as of April 30, 2022, and for assigning UCIs to all new deposits placed for clients, after April 30, 2022	GIC Deposit Re-Registration Best Practices	Best Practices provide standards and parameters to facilitate an automated processes for nominee brokered deposit industry participants to use to re-register GIC deposits, including deposits that are on the records of MIs when the new rules take effect on April 30, 2022
UCI rule applies to all existing deposits and new deposits as of April 30, 2022, including updating ownership information for GIC deposits when they are transferred (i.e., external transfers)	GIC Deposit Transfer Interim Approach	The Interim Approach for GIC Deposit Transfers sets out the industry’s temporary solution for the processes that support the transfer of GIC deposits transacted through/between NBs and for improved updates to records of MIs. The interim approach is a stop-gap measure that will not fully address the alignment concerns with the <i>CDIC Act</i> requirements and Bylaws identified by BDAG.

Annex D: *CDIC Act* Requirements and BDAG Industry Best Practices and Recommended Approaches (Cont'd)

Requirement	BDAG Documentation	Description of Documentation
Nominee Broker must disclose to the MI the beneficial interest for each beneficiary under the deposit	Pooled Registered Cash Accounts Best Practices	Best Practices help industry stakeholders understand how the deposit insurance requirements for trust deposits set out in the <i>CDIC Act</i> apply to uninvested client funds held in pooled registered cash accounts at MIs.
MIs must notify nominee brokers of the requirement to provide CDIC with the annual attestations; and make required amendments to contracts with nominee brokers to reflect <i>CDIC Act</i> requirements	Section 8 of the Amended Schedule to the CDIC Act Best Practices	Best Practices help ensure industry alignment/compliance with the new CDIC requirements set out in section 8 of the amended schedule to the <i>CDIC Act</i> .